1. Which of the following is true for a “closed economy”?
   a. government spending equals taxes
   b. there are no imports or exports
   c. exports equal imports
   d. there is no saving
   e. there is no government spending or taxes

2. Which of the following is an *exogenous* variable in our model of the goods market in Chapter 3?
   a. consumption (C)
   b. saving (S)
   c. disposable income (Y_D)
   d. government spending (G)
   e. none of the above.

3. Which of the following is an *endogenous* variable in our model of the goods market in Chapter 3?
   a. consumption (C)
   b. disposable income (Y_D)
   c. saving (S)
   d. total income (Y)
   e. all of the above.

4. Disposable income equals:
   a. income minus saving.
   b. income minus both saving and taxes.
   c. consumption minus taxes.
   d. the sum of consumption and saving
   e. none of the above.

5. The marginal propensity to consume represents
   a. the level of consumption that occurs if disposable income is zero.
   b. the ratio of total consumption to disposable income.
   c. total income minus total taxes.
   d. the change in output caused by a one-unit change in autonomous demand.
   e. the change in consumption caused by a one-unit change in disposable income.

6. Suppose the consumption equation is represented by the following: \( C = 250 + .75Y_D \). The multiplier in this economy is
   a. .25
   b. .75
   c. 1
   d. 4
   e. 5

7. Suppose the consumption equation is represented by the following: \( C = 250 + .75Y_D \). Given this information, the marginal propensity to save is
   a. .25
   b. .7
   c. 1
   d. 4
   e. none of the above.

Answers:

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8. Assume $C = 1000 + 0.75Y_D$ \hspace{1cm} I = 500 \hspace{1cm} G = 2000 \hspace{1cm} T = 1000$

Calculate Equilibrium Output: _________________________________

9. State three definitions of GDP: